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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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July 19, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**REQUEST FOR TRAUMA PROPERTY ASSESSMENT
RATE INCREASE**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve an increase to the Trauma Property Assessment rate of twenty-five one-hundredths (0.25) of a cent per improved square foot, to a total rate of 3.25 cents per improved square foot, effective July 1, 2005, as authorized under the provisions of Measure B, approved by this County's voters on November 5, 2002.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION(S)

Approval of the recommended action will provide approximately \$14.7 million in net additional funding (after adjusting for delinquencies and uncollectibles) for Fiscal Year (FY) 2005-06. While voter approval of the Measure B Trauma Property Assessment (TPA) in November 2002 provided and continues to provide substantial benefit to the County and private trauma hospitals, significant amounts of uncompensated costs and underserved areas remain within the trauma network. This increase, which is authorized under the provisions of Measure B, will allow the County to pay for a portion of the increasing costs of services to meet the current and future needs of the emergency and trauma network.

The recent trauma system changes, including the addition of California Hospital Medical Center and the Augmentation Agreement with St. Francis Medical Center, and the additional funding to cover

shortfalls in other funding for the non-County private trauma hospitals and Physician Services for Indigents Program at St. Francis Medical Center, were all funded from TPA revenues. In light of the magnitude of the Department's projected budgetary deficits in future fiscal years, this action will increase TPA trauma funding and provide additional resources to help maintain the existing trauma network as well as meet new demands as they may arise.

The United States Bureau of Labor Statistics publishes the medical component of the Western Urban Consumer Price Index (CPI), on a monthly basis, which reflects changes in the cost of medical care. The recommended action adjusts the TPA rate to account for these changes in the current costs of the emergency and trauma network.

FISCAL IMPACT/FINANCING

This TPA rate increase will generate approximately \$15.1 million in gross additional revenue less \$0.4 million in delinquencies and uncollectibles resulting in a net increase of \$14.7 million for FY 2005-06. In addition to the TPA rate increase, based on the latest information, a net decrease of \$0.2 million due to adjusted delinquencies collection and parcel square footage is estimated. This will bring total projected FY 2005-06 TPA funding to approximately \$213.1 million as compared to total FY 2004-05 funding of \$192.8 million.

Attachment A provides the FY 2004-05 and 2005-06 Adopted Budget amounts for each category of planned expenditure, including the amount of the proposed changes, and the projected revenues. Upon approval of the recommended TPA rate increase, the Department will work with the CAO, during the supplemental phase of the budget process, to include those adjustments necessary to conform the FY 2005-06 DHS Budget to the "FY 05-06 Proposed Plan" column reflected in the attachment, to the extent those actions are approved by the Board.

The unobligated TPA fund balance at the end of FY 2004-05 is currently projected to be \$20.8 million. However, the majority of this amount (\$15.3 million) represents one-time savings from initial implementation issues (e.g., the time needed to hire staff) and excess revenue over budget in the initial year (FY 2003-04).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The provisions of Measure B allow the Board to increase the initial TPA rate of 3.00 cents per improved square foot annually, as adjusted by the cumulative increase in the medical component of the CPI since July 1, 2003. To date, no increase in the TPA rate has been made. The cumulative increase in the prescribed medical CPI since July 1, 2003 has been 8.49%, which results in a potential maximum increase to the TPA rate of twenty-five one-hundredths (0.25) of a cent ($\$0.03 \times 0.0849 = \0.0025), bringing the maximum potential TPA rate for FY 2005-06 to 3.25 cents (\$0.0325) per improved square foot.

For a property with 1500 square feet of structural improvements, the annual TPA increase would be \$3.75 ($1500 \times \0.0025), bringing the total annual assessment to \$48.75 ($1500 \times \0.0325). While the

The Honorable Board of Supervisors
July 19, 2005
Page 3

Board could exercise this increase, or any increment up to twenty five one-hundredths (0.25) of a cent, as part of any future year increase, the revenue associated with the increase for FY 05-06 would be lost. Approval is needed by August 10, 2005 to enable sufficient time to incorporate the rate increase into the FY 2005-06 property tax bills.

During Fiscal Year 2004-05, your Board approved \$10.5 million in additional usage of Measure B funds to meet urgent needs and preserve the emergency and trauma network. At the same time, the Department is receiving less State and other local funding for trauma and emergency services.

On September 21, 2004, your Board approved an additional \$3.5 million in FY 04-05 Measure B spending including \$1.2 million in additional Base Hospital System costs, \$0.1 million in compensation to private trauma hospitals due to a contractual commitment to pass through any TPA increases and \$2.2 million to backfill other funding needed to fund the Trauma Center Services Agreement.

On November 16, 2004, Measure B funding of \$4.0 million was approved to fund the addition of California Hospital Medical Center to the trauma center system for the period December 1, 2004 through June 30, 2005. Lastly, on February 22, 2005, your Board approved \$3.0 million in FY 04-05 Measure B funding, including \$1.6 million for the Augmentation Agreement with St. Francis Medical Center and \$1.4 million to backfill a shortfall of other State and local funding needed to maintain the current reimbursement rates for non-County Physician Trauma Services for Indigents Program and Emergency Services for Indigents Program at St. Francis Medical Center, and \$3.2 million for the FY 2005-06 Augmentation Agreement with St. Francis Medical Center.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The TPA increase will help enable the Department to maintain the current level of service within the emergency and trauma network.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director of Health Services

TLG:mc

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
PROPOSED USES OF TRAUMA PROPERTY ASSESSMENT (TPA) FUNDS
FISCAL YEAR 2005-06
(\$ in millions)

	FY 04-05 <u>Adjusted Allowance</u>	FY 05-06 <u>Adopted Budget</u>	Proposed <u>Increase/(Decrease)</u>	FY 05-06 <u>Proposed Plan</u>
SOURCES				
Beginning Fund Balance	\$ 15.32	\$ 16.87	\$ -	\$ 16.87
Current Year TPA Revenue	177.50	180.85	(0.17) (a)	180.68
Recommended Net TPA Increase			14.68 (b)	14.68
Interest		0.84		0.84
TOTAL SOURCES	\$ 192.82	\$ 198.56	\$ 14.51	\$ 213.07
USES				
<u>County DHS</u>				
- Hospital Trauma and Emergency Services Support	\$ 142.61	\$ 142.61		\$ 142.61
- Public Health - Bioterrorism	2.82	2.82		2.82
- Emergency Medical Services Agency	1.39	1.39		1.39
Subtotal County DHS	\$ 146.82	\$ 146.82	\$ -	\$ 146.82
<u>Expanded Access</u>				
- Air Transport	\$ 1.60	\$ 0.80		\$ 0.80
- Helicopter Lease - County Fire	2.00	2.00		2.00
- Unallocated		1.60		1.60
Subtotal Expanded Access	\$ 3.60	\$ 4.40	\$ -	\$ 4.40
<u>Other County - TPA Administration</u>	\$ 1.00	\$ 1.00	\$ -	\$ 1.00
<u>Private Trauma Contracts</u>				
- Service Claims				
* Base Contract Funding	\$ 11.66	\$ 13.79		\$ 13.79
* Backfill Funding - Other Revenue Shortfalls	2.15	2.15	-	2.15
Subtotal	\$ 13.81	\$ 15.94	\$ -	\$ 15.94
- Lump-Sum Payments	7.96	8.96		8.96
- Trauma Center Base Stations (maximum)	3.76	3.76		3.76
- Maximum Obligation Contingency	0.77	1.32		1.32
- Transitional Capacity Dev. Allowance	1.38	1.92		1.92
Subtotal Private Trauma Contracts - TPA	\$ 27.68	\$ 31.89	\$ -	\$ 31.89
<u>Private Physician Funding Shortfall</u>	\$ 1.40	\$ 2.30	\$ -	\$ 2.30
<u>Appropriation for Contingencies</u>	\$ 12.32	\$ 12.15		\$ 12.15
TOTAL USES	\$ 192.82	\$ 198.56	\$ -	\$ 198.56

Footnotes

(a) Reflects a net decrease of \$0.17 million based on adjustments to the FY 05-06 Adopted Budget due to a projected increase in delinquency collections and a parcel square footage decrease.

(b) Based on gross increase of \$15.13 million by applying the recommended TPA increase of twenty-five one hundredths of a cent per improved square foot less three percent for uncollectible revenues, resulting in a net increase of \$14.68 million.